Discussion of King, Medina, Radoc, and Umanan (2025)

"What Matters for Consumer Credit Choice? Evidence from the Philippine Digital Credit Market"

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Summary of Paper I

- **Motivation**
    - Rapid rise in digital credit across emerging markets
    - Trade-off: short-term liquidity benefits vs. risk of overindebtedness / financial distress

- **Research Question**
    - How do different disclosure formats (standardization, ranking) affect consumer choice of digital loans?

- **Setting & Approach:**
    - Philippines: aggressive digital lending growth, large unbanked population
    - Experiment design with 4,000 prospective borrowers, randomized across 9 groups
    - Variation in how loan attributes are disclosed: interest rate, late fee, disbursement speed, # documents, approval probability

Summary of Paper II

- **Key Findings:**

  1. Tabular standardization $\rightarrow$ EIR $\downarrow$, approval prob. $\uparrow$, but disbursement time $\uparrow$, # of documentation $\uparrow$

  2. Ranking loans by one attribute (e.g., interest rate) steers choices to that dimension

  3. Overconfident users are unresponsive to disclosures on late fees

  4. Firms hide critical attributes: 64% of platforms do not clearly disclose late fees

- **Contribution:**

  - Adds evidence on disclosure-based consumer behaviors

  - Importance of standardized disclosures & the way products are ranked

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- **Suggestion:** Anchor the motivation in the intensive margin effects

    E.g., predatory lending before the GFC

    - Subprime borrowers were steered into unsustainable teaser-rate ARMs (2/28, 3/27) → When refinancing failed, defaults surged (Jaffee et al., 2009)

    - Poor disclosure played a key role

    - The Philippine context: previously unbanked users might be similarly fragile

    ⇒ Understanding how the borrowers get steered not only relevant, but *important & urgent*

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- **Suggestion:** Use Treatment Group 8 (user-chosen ranking) to infer preferences
    - Consumers face (nearly) full information + control
    - Estimate a discrete choice model (e.g., nested logit via BLP) to recover consumer utility
    - Simulate counterfactual welfare under different disclosure regimes
    - ⇒ Bridge observed behavior with *normative welfare implications*

Final Thoughts

- Great paper with timely & important topic
    - Novel dataset from a unique experimental setting
    - Employs a clean and well-executed experimental design
    - Clearly written

- I learned a lot from reading this paper and strongly recommend it

- **Excited to see where the authors take this next!**